

22 November 1976

MEMORANDUM FOR: John N. McMahon
Associate Deputy to the DCI for the
Intelligence Community

FROM : [REDACTED]
Director of Performance Evaluation
and Improvement

SUBJECT : Fundamental Community Issues

1. Attached (Tab A) is an "Eyes Only" paper I sent you on 12 November that sets forth for argument five major Community issues:

- a. The Selection of a New DCI
- b. Community Organization and DCI Authority
- c. Community Resources
- d. Secrecy
- e. Oversight to Prevent Abuses

The first item is not our proper business, except that we may have personal opinions on it. The next four are matters on which either we lead or others will lead us. I have nothing to add, for the moment, to that paper; its assertions will need more examination and support, however, if we decide to press them. Also attached (Tab B) is a paper by [REDACTED] which presents some of the above, plus additional issues, in the form of a rough action plan for the Intelligence Community Staff during the transition -- again, if we choose to move this way. They are offered as inputs to discussions with [REDACTED]

2. Among these issues, the real bone crusher is Community organization and DCI authority over it. Few within the Community would argue against more money, against good secrecy legislation, or against present oversight to prevent abuses. Some outside the Community would. But on the question of organization/DCI authority,

Defense as a department will surely oppose any further change. Nevertheless, the onset of a new administration puts new concerns and new players into the game that will make the problem of Intelligence Community reorganization seem a relatively small issue. A new Secretary and Deputy Secretary of Defense will have much more important things to do than to fight for retention of control over the National Security Agency and [redacted]. This makes it the right time to move forward, if ever. But we shall have to show and, I believe, can show that:

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a. NSA and [redacted] reporting to the DCI would bring major improvement in Community effectiveness.

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b. Defense interests would continue to be served in peace and wartime.

c. Defense personnel and assets could still be detailed to these organizations to help the DCI do his business.

d. The departmental affiliation of other intelligence elements -- DIA, the Services, INR, Treasury, ERDA -- would still leave a Community, not a monolith, when it comes to intelligence output and estimates; and "intelligence related" will still leave Defense with plenty of organic assets to do the jobs the DCI cannot.

3. An alternative to arguing for a major realignment of the Community would be to seek more modest but significant improvements in the way EO 11905 and the CFI function. At a minimum, I believe we should press for:

a. The authority to task resource studies on all NFIB agencies directly, without going through Secretary Ellsworth.

b. The authority to call up resource, program, and organizational data in whatever detail we require directly from these organizations, again without going through Secretary Ellsworth.

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c. The right to participate jointly with Defense on any program-budget proceedings affecting the CCP and the [redacted] Program prior to and below the level of CFI decisions.

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4. Whatever position we take on Community organization, it seems advisable that the ICS should early develop a position as to areas of improvement or reform where legislation is required as distinct from executive branch authority. Clearly, we need legislation in the area of official secrecy. On organizational matters, it would seem desirable to extract the maximum from the executive power of the President before attempting to get new law. This suggests further the need to develop a fairly explicit concept or model of how we believe the Congress should exercise its oversight responsibility. Clearly intelligence will suffer if there is a lot of micromanagement of intelligence resources from the Congress, signs of which are already abundant. We do want broad, credible oversight of:

- a. Measures to prevent abuses;
- b. The overall adequacy of resources; and
- c. The overall effectiveness of the Community.

5. The appearance of fairly radical proposals for reorganizing the Community, authored by Ray Kline, Graham Allison, and others, suggests that we ought to start some evaluation and, where necessary, rebuttal of such outside recommendations.

6. The following recommendations, all bad, are making the rounds:

a. To set up an "independent" national intelligence analysis organization separate from any collection entity.

b. To put the DDO under the Secretary of State.

c. To establish an "intelligence coordinator" over the Community in the White House.

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d. To cut the NFIB budget by about

7. These proposals appear to spring from either a personal quest for publicity or naivete as to how the Community actually functions. They can be readily rebutted; but only vocal challenge from within the Community is likely to be effective.

Attachments:

Tab A - Eyes Only paper dated 12 November 1976 from D/OPEI to AD/DCI/IC

Tab B - Eyes Only paper dated 19 November 1976 from C/OPEI/PAID to D/OPEI

EYES ONLY
12 Nov 1976

US National Intelligence: An Agenda for the New President

It is a truism that, for a nation intimately engaged in world affairs, strong national intelligence is vital to national security and an effective foreign policy. What is not widely appreciated is that the load on US national intelligence is growing rapidly with the relative decline in US global power. This is because, although US raw power to affect world developments is decreasing, US interest in influencing what it can is not decreasing. Therefore, the US is compelled to choose the places and the ways it uses its power -- political, economic, military -- more wisely. This takes information and understanding, which is what intelligence is.

It is ultimately the responsibility of the President to assure that US intelligence is adequate to the times. That assurance can only come if the President attends appropriately to the management of intelligence organizations and activities. But intelligence is a service activity, not a policy activity. In a basic sense and within some gross limits, good intelligence for one Administration should look much like good intelligence for another, notwithstanding major differences in policy. Moreover,

although large and expensive, US intelligence programs are not nearly so large and expensive as those managed in policy agencies. This means that, ideally, the President should be able to set things up so that he gets good intelligence without a great deal of Presidential supervision. By and large, this is the way things have been. Most presidents have paid little attention to the management of intelligence, even though they were forced to face its information and judgments daily. The exceptions have occurred when US post-war intelligence was set up in the late 1940s, after specific failures such as the Bay of Pigs, and following the investigations of 1974-75.

Much depends, however, on a propitious beginning. Since he is unlikely to return in detail to intelligence management unless a scandal erupts, he must assure that things commence on the right footing. This is particularly vital in 1977. US intelligence today is a creature whose performance is shaped by three basic factors:

- a. An organizational structure that has evolved by accretion over a generation;
- b. Erosion of real resources; and
- c. The buffeting of recent investigations and their aftermath.

Agree

If the new President handles the management of his intelligence with "benign neglect" from the outset, certainly

this creature will survive, do its job more or less, and cautiously evolve in various new ways. But in 1977 history has afforded him an unusual opportunity to give US intelligence a new shape that could last and serve the nation, not merely for his term, but for the next generation. If he chooses well at the outset, moreover, he will be able to leave the management of intelligence fully to its leaders for some time. Choosing well in 1977 means making the following decisions wisely:

- a. Selecting a new DCI. OK
- b. Choosing a new organization for national intelligence. Maybe
- c. Establishing a new budget level for intelligence. — OK
- d. Creating a new legal basis for official intelligence secrecy. OK
- e. Confirming the adequacy of mechanisms to prevent intelligence abuses of citizens' rights. OK

What is "well" is question

A. Selecting a New DCI:

1. A MUST: Assured executive/managerial ability,
with a realistic appreciation -- not total acceptance --
of what management in a government agency means. No DCI
has been particularly strong in this area, with the possi-
ble exception of Mr. McCone. OK
2. Another MUST: Assured personal access to the
President. It takes this for the DCI to be sure he does
not have to knuckle under to the Secretary of Defense,
or State, or others in how he manages or how intelligence
comes out. OK
3. The following characteristics are highly desirable
in descending order:
 - a. Technical knowledge or sufficient experience
to resist snow jobs by technical experts. good
 - b. World political and/or economic knowledge
to resist same from its experts. good
 - c. Ability to assimilate new information quickly
or to do voluminous homework; ability to listen. good
 - d. Familiarity with intelligence. not needed
 - e. A political manner. good
4. The next DCI should be prepared to stay for at
least four years.

B. Consolidating Community Organization and Enhancing
DCI Executive Authority

1. The time has come to create a centralized National Intelligence Community over which the DCI has direct executive authority and budgetary control. It should encompass CIA, NSA, and central elements of the photographic community. He should continue to have leadership powers and influence over defense intelligence elements, State/INR, etc., via such instruments as NFIB and CFI.
2. This is required to have a national intelligence activity that is both effective and efficient. These values can be maximized only when there is assurance that major resource trade-offs among presently fragmented activities can be studied expeditiously and decisions on them made and enforced. Doing this today is like redrawing state boundaries in the US Senate: forget it. *over stated*
3. Most arguments presented as fundamental objections to this move are either refutable or but administrative difficulties on the desired course. The main hang-up is Defense: But Defense interests could be well served, probably better served, by a centralized community -- and Defense support could still be available to intelligence where needed.

4. Present community affairs are dominated by organizational fragmentation that has characterized them for thirty years. Steps taken in 1971, 1973, and 1976 are but palliatives. Operations under the latest Executive Order setting up the CFI achieve, at best, a small improvement in performance with a large increase in effort. Even then they demand inhuman good will from all parties, or inhuman skill and ruthlessness from the DCI to work.

C. Resources for National Intelligence

1. National intelligence may, in the widest perspective, be emaciated or it may be fat and flabby, or a mixture. Present organization makes it very difficult to tell. But it is clear that the US is trying to get its intelligence on the cheap, rather than efficiently. It will almost assuredly take an early infusion of resource increments to effect a major improvement, or for that matter, to retain adequate performance
2. Funds for national intelligence are surprisingly small and have been dwindling in relation to the DOD budget, for example.
3. There is an unavoidable overhead to doing business. This, incidentally, could be reduced by centralization. *Soultfel*
4. The lumpiness of major elements of programs means that fiscal posture cannot degrade gracefully beyond a certain point. Austerity has made certain lumpy programs very awkward.
5. Improvements in efficiency will probably require more money for a period of time to start initiatives, for example, in data handling, where major savings come later.

6. The money problem interacts closely with the organizational problem. With tight money and shared authority, relatively independent program elements have no incentive whatsoever to trade off resources against one another to achieve optimality. Rather, they dig in to protect their base and sacrifice initiatives that could, over time, enhance total effectiveness. So decentralization compounds the negative effects of austerity and vice versa.

*Probably
true.*

7. With increased centralization, it could take about 20 percent per annum increases for about three years to get where we want to be. Then stabilization or cut backs would be feasible.

D. Secrecy

1. Contrary to some popular impressions, intelligence effectiveness does depend crucially on secrecy. This includes clandestine sources, many technical collection means, and methods for exploiting non-sensitive sources.
2. Vital secrets are leaking out in many ways: policy agencies, the expanding circle of overseers, disgruntled ex-professionals.
3. We need a solid legal base to forbid, to punish, and to prevent the unauthorized transmission of classified intelligence information.
4. Most leaks of intelligence information are not really essential to open government. They are sensational or merely incidental to reports on policy controversy.
5. A leaky government, like a leaky ship, requires watertight bulkheads. Thus, lack of confidence in one part of the government in the discretion of other parts leads to withholding of information and to irrational decisions.

E. Guidelines, Oversight, and Prevention of Abuses

1. The recent spate of investigations has given the Intelligence Community:

- a. A thorough ethical drubbing
- b. A new set of oversight institutions

Both are likely to provide adequate safeguards against future abuses if intelligence managers continue to police the professional attitudes of their officers. There are three intrinsic dangers:

a. Emphasis on mechanical safeguards rather than professional rectitude will shackle intelligence performance unnecessarily and contribute to professional disdain for proper restrictions as a kind of mickey mouse.

b. A change of international and domestic atmosphere may cause mechanical restrictions to be thrown out with no professional rectitude to fill their place.

c. Worried political leaders and overseers may mistakenly believe that prevention of abuses is now the real problem of intelligence, when the much more pressing problems have to do with management, resources, efficiency, and the adequacy of basic performance.

} Very true

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☐ SECRET

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Fundamental Community Issues

FROM:

Director, OPEI/ICS
Room 6E2917 Hqs. Bldg.

EXTENSION

NO.

DATE

22 November 1976

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TO: (Officer designation, room number, and building)

DATE

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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. AD/DCI/IC

Room 7E09 Hqs. Bldg.

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-- EYES ONLY --

Don - FYI

at al
Comments re
Community issues
& transition

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-- EYES ONLY --

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RLV

PRM-11

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